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FISCAL IMPACT STATEMENT

LS 6785
BILL NUMBER: HB 1098

NOTE PREPARED: Dec 31, 2007
BILL AMENDED:

SUBJECT: Net Metering and Interconnection Rules.

FIRST AUTHOR: Rep. Dvorak
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires the Utility Regulatory Commission (IURC) to adopt emergency rules amending the IURC's net metering and interconnection rules for electric utilities. The bill requires that the amended rules must: (1) make net metering available to specified customer classes; (2) allow a generating facility with a nameplate capacity of five megawatts or less to interconnect to the distribution facility of an electric utility; and (3) allow a net metering customer to interconnect a generating facility that makes use of specified technologies. The bill also provides that the existing rules are void to the extent they do not comply with the requirements for the amended rules. This bill requires the IURC to report to the Regulatory Flexibility Committee on the IURC's progress in adopting the amended rules.

Effective Date: Upon passage.

Explanation of State Expenditures: This bill requires the IURC to adopt rules on net metering and interconnection of electric utilities and report to the Regulatory Flexibility Committee on its progress in adopting the rules. Any increase in administrative costs to the IURC will be offset by public utility fees.

State and Local Government Utility Expenditures: The bill includes state and local governments in the class of electricity consumers which must be offered net metering services. Under current IURC rules (170 IAC 4-4.2) investor-owned electric utilities (IOEU) must offer net metering to residential customers and K-12 schools that install a net metering facility. Currently, IOEUs may, but are not required, to offer net metering to state and local governments. The bill would require all electric utilities to offer net metering to state and local governments, as well as other customer classes as listed in the bill. To the extent that any governmental entity chooses to utilize net metering, there could be a decrease in that entity's electric utility expenditures. The impact will ultimately depend upon the amount of revenue the state or local agency can generate through the sale of renewable energy back to an electric utility. The amount of this revenue will be impacted by the current use of the renewable energy by the state or local agency. If the governmental entity currently uses the renewable energy to supplement electricity use, the overall impact will be determined by the difference between the value of the current use of that energy versus the price the energy may be sold back to the electric utility.

Background: The operating budgets of the IURC and Office of the Utility Consumer Counselor (OUCC) are funded by regulated utilities operating in Indiana. The IURC determines the rate at which to bill the utilities based on the two agencies' budgets, less reversions, divided by the total amount of gross intra-state operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.13% of their gross intra-state operating revenues to fund the IURC and OUCC. In FY 2007 the billable portion of the IURC budget was approximately $15.3 M.

As stated by the U.S. Department of Energy, “net metering allows consumers to offset the cost of electricity they buy from a utility by selling renewable electric power generated at their homes or businesses back to the utility. In essence, a customer's electric meter can run both forward and backward in the same metering period, and the customer is charged only for the net amount of power used.”

Explanation of State Revenues: *Utility Rates:* To the extent that utility rates are affected by the net metering requirements in this bill, there will be an impact on Sales Tax, Utility Receipts Tax (URT), and Utility Services Use Tax (USUT) collections.

Background: The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail consumption of utility services in Indiana. Both the URT and USUT are deposited in the state General Fund. Sales Tax revenue is deposited in the Property Tax Replacement Fund (50%), the state General Fund (49.067%), the Public Mass Transportation Fund (0.76%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

Explanation of Local Expenditures: See *Explanation of State Revenues.*

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: All.

Information Sources: United States Department of Energy website; http://www.eere.energy.gov/states/alternatives/net_metering.cfm.

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